



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
KANAB FIELD OFFICE
318 North 100 East
Kanab, UT 84741



IN REPLY REFER TO:
3809
UMC363269, UMC363454

CERTIFIED MAIL # 7002 0510 0002 1352 5870
RETURN RECEIPT REQUESTED

Gary Harris
P.O. Box 543
Delta, UT 84624

September 5, 2002

Dear Mr. Harris:

Our office received your letter dated August 5, 2002 with the proof of purchase for the seed needed for reclamation on the G&R claims. Your letter stated that you were unable to obtain needle and thread and antelope bitterbrush seed. We checked with Granite Seed (801-768-4422) and Stevenson Intermountain Seed (435-283-6639), and found that they had both species available. Please procure and add these two seed items to your seed mix, and send us a copy of the purchase receipt. As we discussed at the July 17, 2002 onsite meeting, seeding will occur during the October-November time frame.

In addition to the above issues, our Office has calculated the bond amount for revegetation of the site to be \$6,000. The BLM will accept a surety bond or personal bond (cash bond, letter of credit, or certificates of deposit). A "Surface Management Bond Requirements Information Sheet" has been attached for your convenience.

If you have any questions, please call Doug Powell at (435) 644-4323.

Sincerely,

Rex L. Smart
Field Office Manager

Enclosures:
Surface Management Bond Requirements Information Sheet

cc: Tom Munson, DOGM
Terry Snyder, (UT-923)
Rex Harris, P.O. Box 513, Delta, UT 84624

RECEIVED

SEP 06 2002

DIVISION OF
OIL, GAS AND MINING

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SEP 06 2002

May 9, 2002

**DIVISION OF
OIL, GAS AND MINING**

SURFACE MANAGEMENT BONDS REQUIREMENTS

A. BOND GUARANTEES

A bond is a financial guarantee, given to provide assurance to one party that another party will fulfill an obligation it has undertaken to perform. Bonds are not insurance. Under a bond, the principal or obligor on a personal bond is responsible to fulfill a contractual obligation. If the principal/obligor does not perform the contractual obligation, the bond may be collected.

Personal bonds are contracts directly between the obligor and the obligee. A surety bond is written for the benefit of a third party, and is a three-way contract among the principal (owner of the bond), the surety (insurance company), and the obligee (the party to whom performance is promised). A bond may only be terminated or canceled with the consent of all parties to the bond.

B. TYPES OF BONDS

1. SURETY BOND

A corporate surety bond consists of a promise by a principal and surety to the United States and/or the State of Utah that the surety will correct any default should the principal not do so, paying up to the limits of the amount of the bond. A surety bond is a three-way contract between the principal, the surety, and the United States/State of Utah.

When filing a bond with the BLM, the Surface Management Surety Bond form must be used. If filing a joint bond with DOGM, their Surety Bond (Form MR-6) and Reclamation Contract (Form MR-RC) forms must be used.

Information required:

- a. Bond must be properly executed by principal, including display of corporate seal (if available). The relationship of the signatory to the principal is to be shown on the bond form itself or in an accompanying document.
- b. Bond must be properly executed by acceptable surety, with the seal of corporate surety affixed, accompanied by the power of attorney (POA) showing proof of signing authority as surety's representative. Surety bonds must be issued by an qualified surety (insurance company) approved by the Department of Treasury (see <http://www.fms.treas.gov/c570/index.html>).
- c. Bond must be at least for the required amount.
- d. Principal and surety must be indicated in proper locations on the bond form.
- e. The dollar amount must be spelled out, for example, Ten Thousand and no/100 Dollars.

- c. Initial expiration of the LOC must be not less than 1 year after the date filing with BLM.
- d. LOC must contain the **automatic renewal provision** in at least one-year increments.
- e. LOC must contain provisions allowing collection by BLM for default of obligor and failure of obligor to replace bond if 90-day notice is given by bank that LOC will not be renewed.

CERTIFICATES OF DEPOSIT (CD):

Federally-insured certificate of deposit payable to the United States and/or the State of Utah.

Required information:

- a. Financial institution must be **federally insured** or a Federal Reserve Branch bank.
- b. **CD must indicate on the face of the certificate that "The Secretary of the Interior-BLM must approve the redemption of the CD by any party."**

On joint bonds the statement should be, "The Secretary of the Interior-BLM and DOGM must approve the redemption of the CD by any party."

- c. CD should be issued to the **"U. S. Department of the Interior-BLM"** (USDOI-BLM); and the BLM Surface Management Personal Bond form must accompany the CD. The authorized officer for the BLM is **Robert Lopez, Chief, Branch of Minerals Adjudication.**

When filing a joint bond with the Utah Department of Natural Resources-Division of Oil Gas and Mining (UT DNR-DOGM) and the U.S. Department of the Interior-Bureau of Land Management (USDOI-BLM), the bond must be payable to both agencies. If posting the bond with DOGM their bond form (Joint Agency Certificate of Deposit) and Reclamation Contract form must be used.

If CD is issued to another person/company than BLM/DOGM, proof must be provided that the right to payment of the obligor under the CD has been assigned to BLM/DOGM, together with the proof that the bank has changed its records to show that only BLM/DOGM may collect the amount of the CD. A written confirmation is recommended (Assignment form signed by obligor and confirmation form signed by financial institution.)

- d. The operator/obligor must ensure that the CD can be redeemed prior to maturity. If there are any penalties for early redemption, such penalties will be paid out of the obligor's interest earned, not out of the principal amount of the CD. Otherwise CD must be increased.

- f. Execution date on bond must be completed and date must precede the date of filing of bond.
- g. Power of Attorney must show that person signing for surety had authority to do so on the date bond was executed. The date must be the same as or earlier than the date the bond was executed. At the end of the POA, there should be a completed certificate indicating that the POA is still valid on a certain date. This certificate must be dated the same date the bond is executed or within a few days thereafter.

2. PERSONAL BONDS

The principal (obligor) may furnish a personal bond in lieu of a surety bond to ensure compliance with all the terms and conditions of a plan of operations on public land.

The BLM accepts three forms of personal bonds: Cash Bond, Letter of Credit (LOC), and Certificate of Deposit (CD).

CASH BOND:

A cash bond must be submitted in the form of a **Cashier's Check or certified check**. A check posted with the BLM must be issued to the **"U. S. Department of the Interior-BLM"**; and the BLM Surface Management Personal Bond form must accompany the check.

If posting with DOGM, the check must be issued to the Utah Department of Natural Resources-Division of Oil Gas and Mining (UT DNR-DOGM) and their Reclamation Contract (Form MR-RC) form must be used.

LETTER OF CREDIT (LOC):

An irrevocable letter of credit issued by a bank organized to do business in the United States.

Required information:

- a. Financial institution must be **federally insured** or a Federal Reserve Branch bank.
- b. When posting the bond with the BLM, the bond must be payable to the **"U. S. Department of Interior-BLM"**; and the BLM Surface Management Bond form must accompany the LOC. The authorized officer for the BLM is **Robert Lopez, Chief, Branch of Minerals Adjudication**.

When filing a joint bond with the "Utah Department of Natural Resources-Division of Oil Gas and Mining" (UT DNR-DOGM) and the "U.S. Department of the Interior-Bureau of Land Management" (USDOI-BLM), the bond must be payable to both agencies. If posting the bond with DOGM their bond form (LOC) must be used.

e. There should be **no expiration date** for the CD which would restrict the right of the BLM/DOGM to collect the principal at any time of default.

f. It must be clear that the deposit is for the sole and exclusive use of the Department of the Interior-BLM. On joint bond, deposit is for the use of the Department of the Interior-BLM and DOGM. The financial institution must agree to not use the deposit to off-set any monetary default of the Obligor. (Agreement not to off-set form)

POSTING THE BOND WITH THE BLM:

Please contact Opolonia Abeyta at (801)539-4123, Mining Law Unit, Branch of Minerals Adjudication, Utah State Office, Bureau of Land Management, 324 South State Street, P. O. Box 45155, Salt Lake City, Utah 84145-0155. The authorized officer for the BLM is Robert Lopez, Chief, Branch of Minerals Adjudication. If you are posting the bond with the BLM, the bond must be filed with the Utah State Office.

POSTING THE BOND WITH DOGM:

Please contact Wayne Hedberg at (801)538-5340, Division of Oil, Gas, and Mining, Utah Department of Natural Resources, 1594 S. North Temple, Suite 1210, P. O. Box 145801, Salt Lake City, Utah 84114-5801.